

Performance Based Incentives (PBI's) & Project Baselines

February 15, 2001

Outline

- The Secretarial Initiative
- The Role of a PBI
- Synergism Between PBI's & Project Baselines
- A Conceptual Approach
- The Basic Framework
- Applications Across the Complex
- Summary & Next Steps

Secretarial Initiative

- Challenging the Department to:
 - Extend our performance management systems
 - Enhance our performance based management methods
 - Improve contractor & federal performance accountability

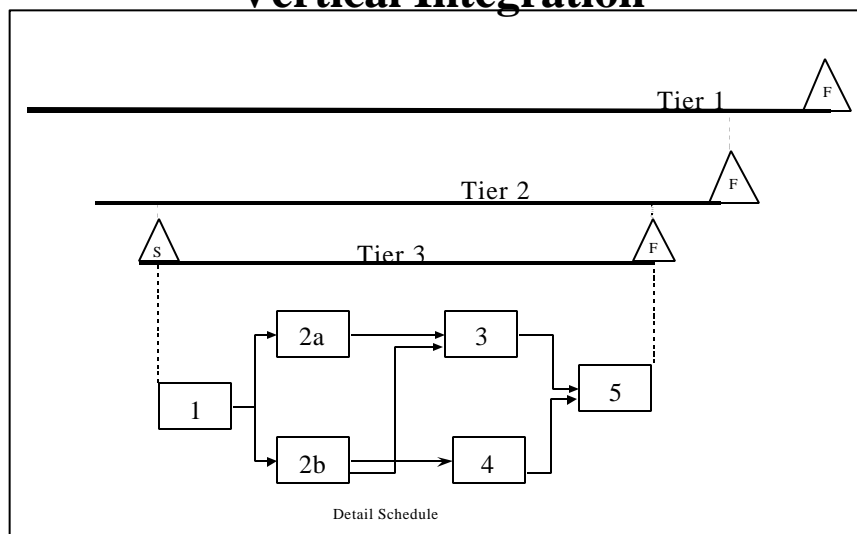
The Role of a PBI

- A PBI is an identified element of contractor's profit tied to the achievement of:
 - specific technical performance
 - delivery schedule or
 - cost control objectives
- PBI's are used to achieve and reward specific mission or mission related goals and objectives

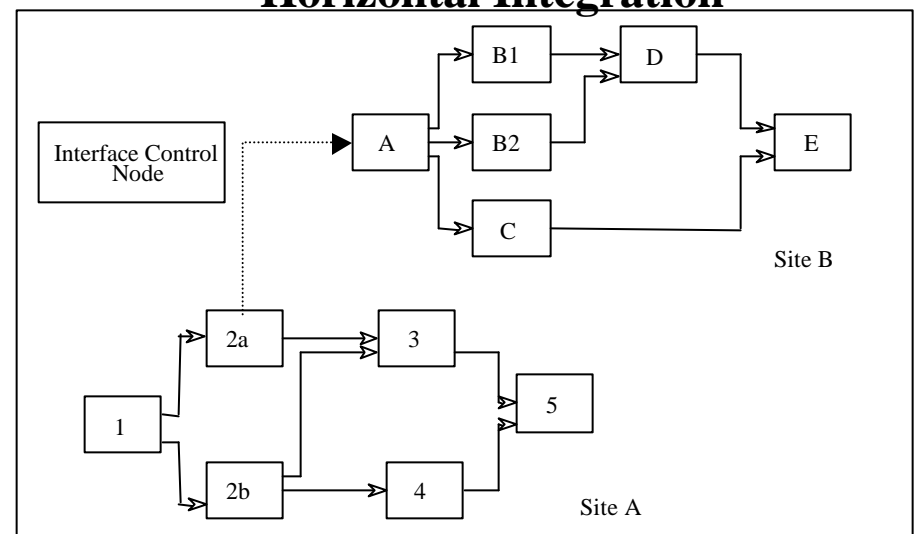
Synergism Between PBI's & Project Baselines

- Complimentary framework for planning & execution
 - Strategy development
 - Project management and execution
 - Risk identification, prioritization, & mitigation

Vertical Integration



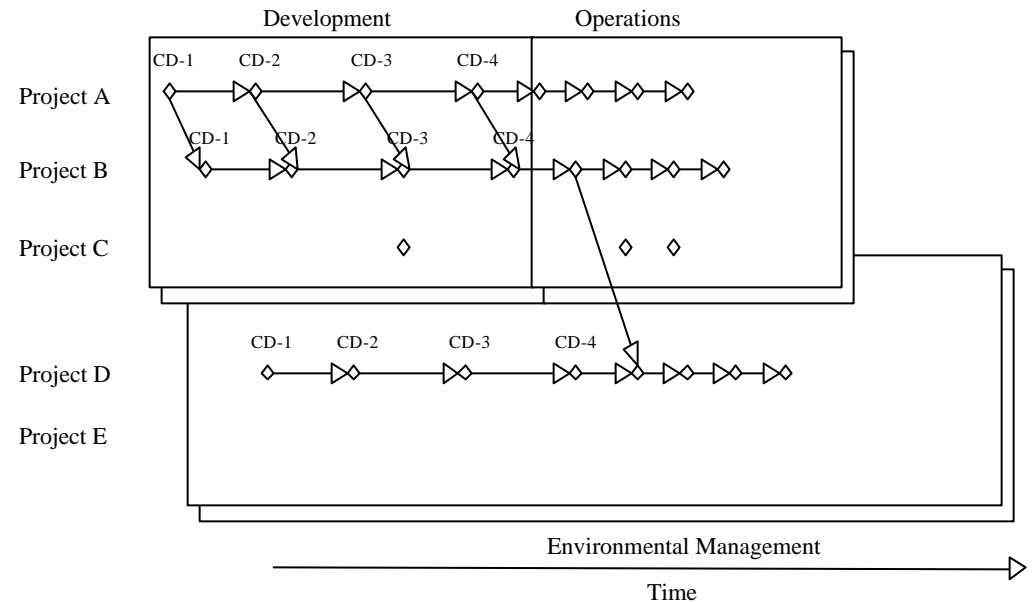
Horizontal Integration



Conceptual Approach

Desired Capabilities:

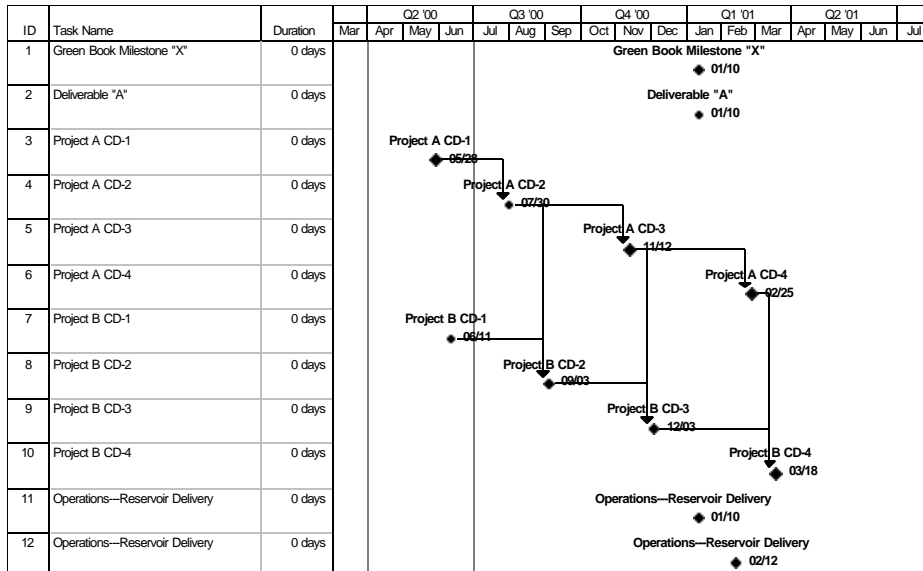
- A road map for mission related goals and objectives
 - Short term
 - Long term
- Decision Making Capabilities
 - Predictive Modeling & Simulation
 - Proactive vs reactive
 - “Can we get there from here?”
- Develop strategy & policy for planning guidance
- Develop multi-year planning
- Balance fiscal resources & constraints



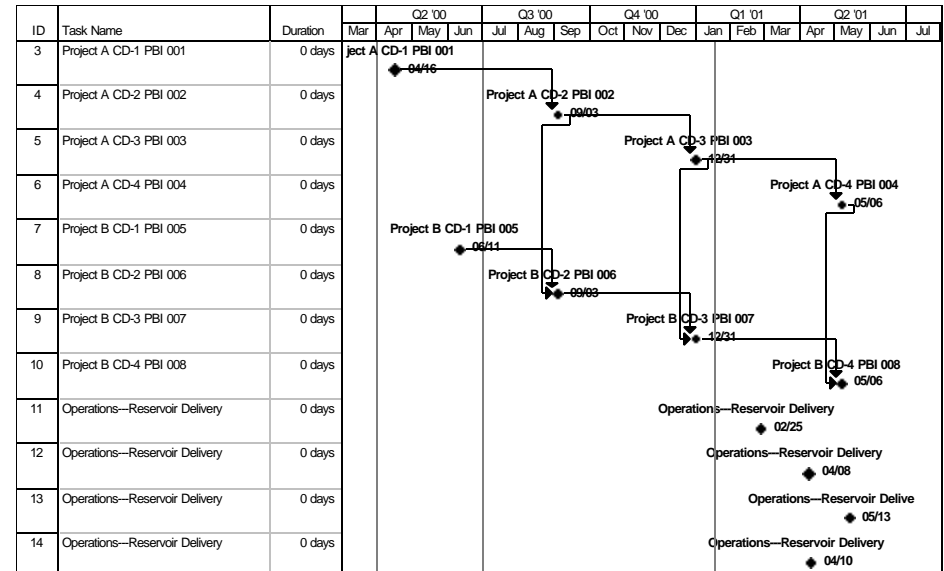
	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	TEC
Budget	100	200	200	300	350	350	1500
EAC							1700
GPRA Measure	Qty #	Qty #	Qty #	Qty #	Qty #	Qty #	Total Qty
Earned Value Management							
Cost Variance	0						0
Schedule Variance	0						
CPI	1.00	0.97	0.95	0.93	0.90	0.87	
SPI	1.00	0.95	0.92	0.90	0.87	0.85	
EAC (Contractor)	1500	1550	1600	1620	1640	1650	
EAC (Government)	1500	1575	1620	1650	1670	1700	

The Basic Framework

Critical Decision (CD)/Milestone/ Interface Points



Performance Based Incentive (PBI) Logic



- Utilize existing data to plan, assess, and predict:
 - Performance and Future Incentives
 - Resource Requirements
- Integration & interface points between projects and incentives provide a road map across the complex

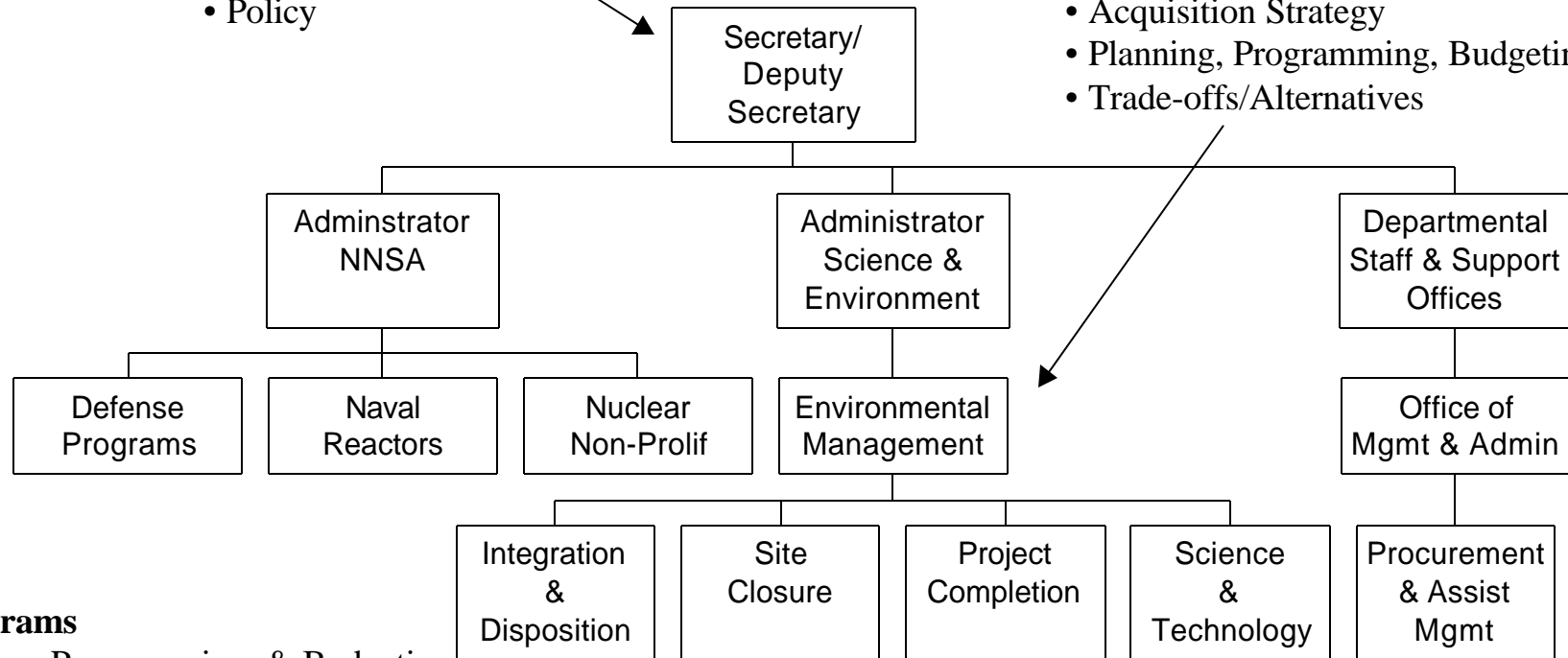
Applications Across the Complex

Secretary/Deputy Secretary

- Agreement w/ President
- ESAAB
- Policy

Assistant Secretary

- Requirements Flow-down
- ESAAB
- Acquisition Strategy
- Planning, Programming, Budgeting
- Trade-offs/Alternatives



EM Programs

- Planning, Programming, & Budgeting
- Critical Path Analyses
- Earned Value Management
- Progress Towards
 - Annual PBI
 - Multi-year PBI
- Integration
 - Internal./External to Project/Site
- GPRA Performance Measures
- Baseline & Budget Change Control

Procurement

- Acquisition Planning
- PEMP's
- PBI's

Next Steps

- Individual Site Specific Discussions
- Input for Design of Road Map